

CALIFORNIA ECONOMIC FORECAST

The California economy is growing quickly. In 2017 it generated 336,000 jobs, representing a growth rate of 2.0 percent. The industries that created the most jobs were healthcare and education (96,000 jobs) and leisure services (51,000 jobs). The sectors that expanded at the fastest rates were transportation and warehousing (5.6 percent) and construction (4.4 percent). Job growth was most prominent in the Bay Area and Central Valley, and weakest in Southern California and the far northern counties (north of the Sacramento Valley).

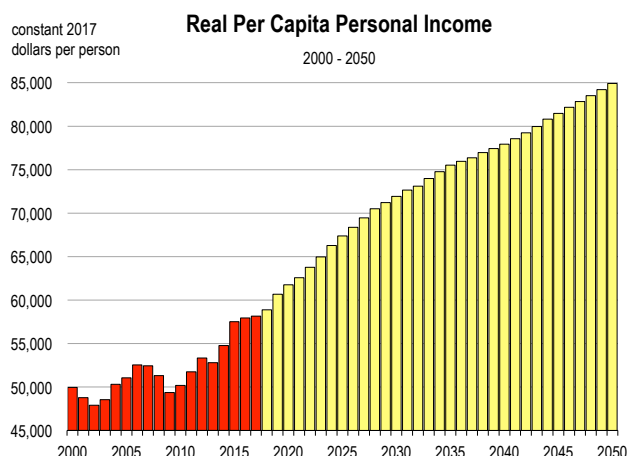
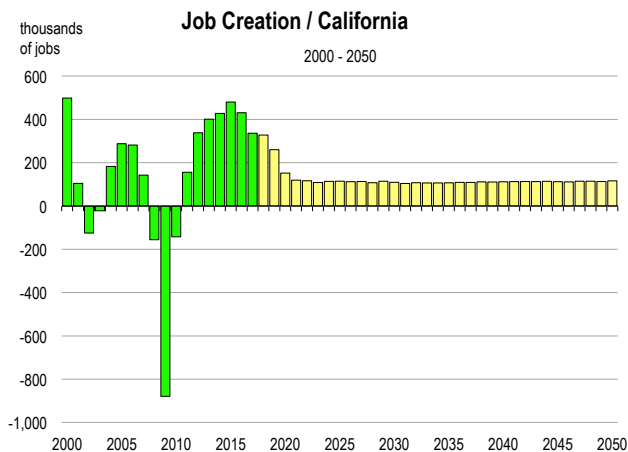
Construction activity is accelerating. Almost 113,000 homes were built in 2017, and more than \$27 billion was invested into non-residential structures. Several regions are in a building boom, including the Bay Area and Downtown Los Angeles. But housing production is not keeping pace with population growth. Home prices in some areas have surpassed their bubble-era peak, and housing affordability is becoming a problem. For the typical household, homes remain affordable across many parts of Inland California. But along the coast, it is common for mortgage payments and rent to consume 40 percent of household income. Because of this, many residents are relocating from coastal areas to inland cities, and some are moving out of state entirely.

The California unemployment rate was exceptionally low in 2017, falling to 4.8 percent, which is near its lowest sustainable level. The economy has now reached a “full employment” scenario, meaning that almost everyone who wants a job already has a job. Under such conditions, job creation is expected to decelerate, and the unemployment rate should improve at a much slower pace.

The California population grew by 0.8 percent in 2017. Net migration was relatively high, with more than 80,000 net migrants entering the state. At the same time, the natural increase (new births) added approximately 216,000 residents to the population.

FORECAST HIGHLIGHTS

- In 2018, total employment will increase by 1.9 percent. From 2018 to 2023, employment growth is expected to average 0.8 percent per year.
- The largest employment gains will be observed in professional services, education and healthcare, leisure services, and



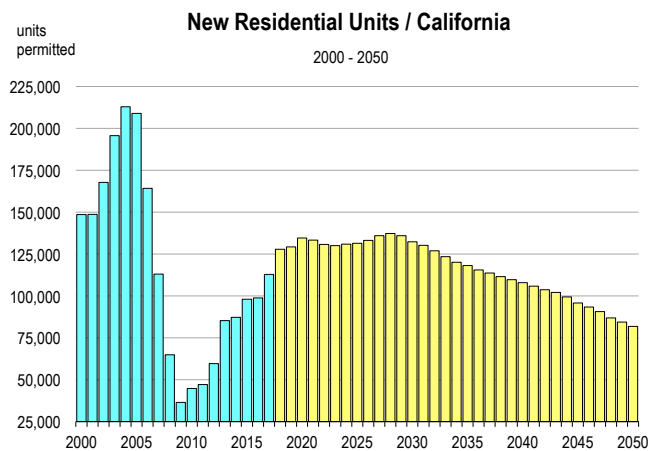
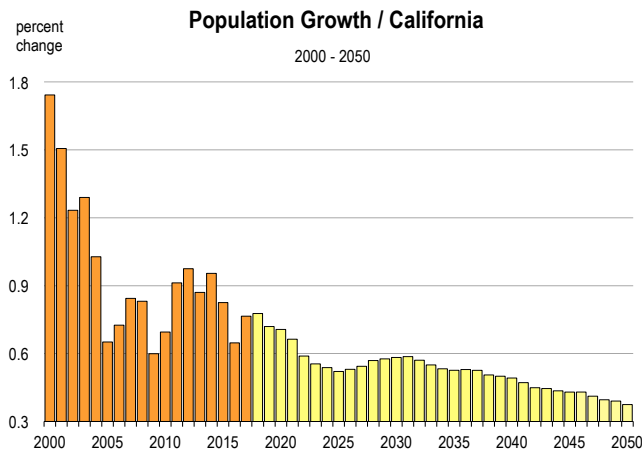
government. Together, these sectors will account for 67 percent of net job creation during the 2018-2023 period.

- In California the average worker earned \$73,570 in 2017. Adjusted for inflation, salaries are expected to rise by an average of 1.9 percent per year between 2018 and 2023.
- Over the forecast period, an average of 132,000 homes will be authorized per year. The most prominent areas for development will be the Southern California (62,000 units per year), the Bay Area (24,000 units per year), the Central Valley (10,000 units per year), and the Sacramento Valley (9,500 units per year).
- The population is expected to increase by 0.6 percent annually through 2023. An average of 63,000 net migrants will enter the state annually, and the natural increase (new births) will add almost 200,000 residents to the population each year.

California Economic Forecast

2010-2017 History, 2018-2050 Forecast

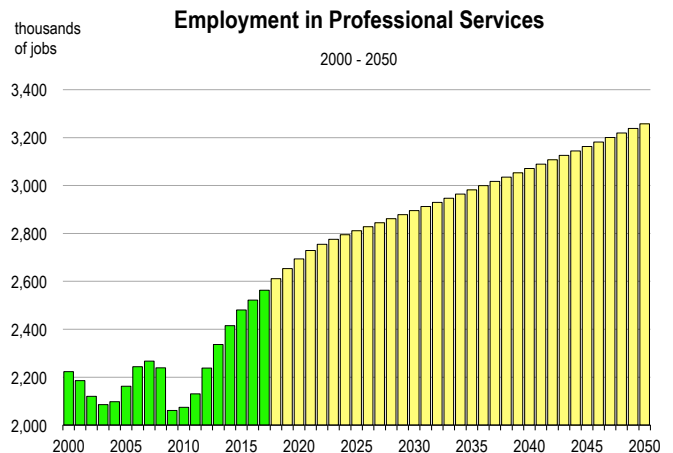
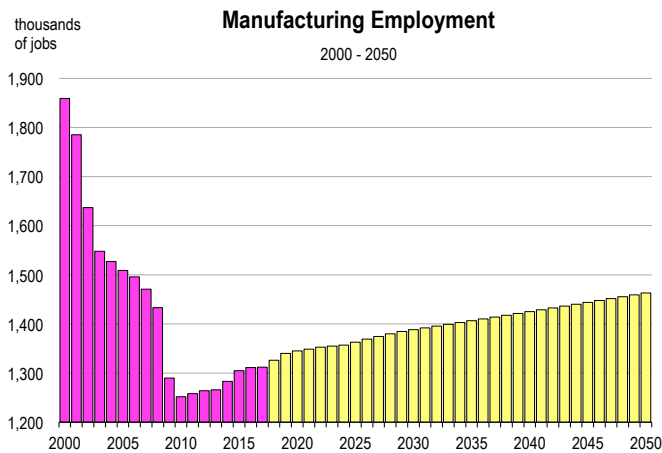
	Population (millions)	Net Migration (thousands)	Registered Vehicles (millions)	Households (millions)	New Homes Permitted (thousands)	Total Taxable Sales (billions)	Personal Income (billions)	Real Per Capita Income (dollars)	Inflation Rate (% change in CPI)	Real Farm Crop Value (billions)	Real Industrial Production (billions)	Unemploy- ment Rate (percent)
2010	37.34	-29.7	31.9	12.6	44.8	\$477.3	\$1,617.1	\$50,172	1.3	43.9	352.2	12.2
2011	37.68	68.4	31.7	12.6	47.1	\$520.6	\$1,727.4	\$51,740	2.7	48.9	347.7	11.7
2012	38.04	109.3	31.8	12.7	59.6	\$558.4	\$1,838.6	\$53,343	2.7	48.9	360.4	10.4
2013	38.37	79.2	32.8	12.7	85.3	\$586.8	\$1,862.0	\$52,787	2.3	50.5	371.7	9.0
2014	38.74	111.4	33.4	12.8	87.3	\$615.8	\$1,986.0	\$54,766	2.8	57.1	386.3	7.5
2015	39.06	72.7	34.2	12.9	98.1	\$633.9	\$2,133.7	\$57,521	2.6	49.6	394.0	6.2
2016	39.31	23.7	35.2	12.9	98.9	\$649.1	\$2,212.7	\$57,943	3.1	47.4	400.1	5.5
2017	39.61	80.2	35.3	13.0	112.9	\$671.8	\$2,303.9	\$58,159	3.2	47.4	413.9	4.8
2018	39.92	86.2	35.6	13.1	127.9	\$699.3	\$2,417.6	\$58,591	3.7	47.8	432.3	4.2
2019	40.21	77.7	35.9	13.2	129.3	\$727.4	\$2,565.2	\$60,310	3.1	48.2	436.1	3.8
2020	40.49	82.8	36.2	13.4	134.6	\$761.8	\$2,714.2	\$61,299	4.1	48.6	443.0	4.1
2021	40.76	70.8	36.5	13.5	133.4	\$791.2	\$2,850.4	\$62,114	3.6	49.0	453.4	4.3
2022	41.00	47.1	36.7	13.6	130.8	\$825.5	\$3,000.3	\$63,286	3.5	49.3	464.0	4.4
2023	41.23	37.4	37.0	13.7	130.1	\$862.1	\$3,154.6	\$64,480	3.4	49.7	475.4	4.6
2024	41.45	31.8	37.2	13.9	131.0	\$900.4	\$3,315.2	\$65,783	3.3	50.1	486.8	4.7
2025	41.67	27.6	37.4	14.0	131.5	\$941.7	\$3,468.2	\$66,908	3.1	50.5	497.6	4.9
2026	41.89	33.7	37.6	14.1	133.2	\$982.2	\$3,619.3	\$67,918	3.1	50.9	508.8	5.0
2027	42.11	41.4	37.8	14.2	136.0	\$1,024.5	\$3,778.4	\$69,025	3.0	51.3	520.2	5.1
2028	42.35	54.3	38.0	14.4	137.3	\$1,068.6	\$3,943.1	\$70,077	3.3	51.8	532.1	5.2
2029	42.60	59.7	38.3	14.5	136.0	\$1,106.7	\$4,096.6	\$70,760	3.1	52.2	544.2	5.2
2030	42.85	64.8	38.5	14.6	132.4	\$1,146.0	\$4,251.1	\$71,431	3.0	52.6	556.2	5.2
2031	43.10	68.7	38.7	14.7	130.3	\$1,189.2	\$4,406.3	\$72,095	2.9	53.1	568.5	5.2
2032	43.34	64.2	38.9	14.9	127.0	\$1,236.3	\$4,558.9	\$72,501	3.1	53.6	581.1	5.2
2033	43.58	57.2	39.2	15.0	123.5	\$1,283.3	\$4,725.0	\$73,338	2.7	54.0	594.0	5.3
2034	43.82	51.8	39.4	15.1	120.1	\$1,331.7	\$4,899.6	\$74,089	2.9	54.5	607.3	5.3
2035	44.05	51.0	39.6	15.2	118.2	\$1,380.3	\$5,082.6	\$74,808	3.0	55.0	620.8	5.3
2036	44.28	54.5	39.9	15.3	115.5	\$1,429.7	\$5,270.5	\$75,210	3.4	55.5	634.7	5.3
2037	44.51	55.0	40.1	15.4	113.7	\$1,478.7	\$5,468.1	\$75,580	3.5	56.0	648.9	5.3
2038	44.74	47.9	40.3	15.5	111.6	\$1,526.6	\$5,675.8	\$76,152	3.3	56.6	663.4	5.2
2039	44.96	47.4	40.5	15.6	109.7	\$1,575.6	\$5,891.2	\$76,582	3.5	57.1	678.4	5.2
2040	45.18	45.7	40.8	15.7	108.0	\$1,623.9	\$6,111.9	\$77,058	3.4	57.6	693.6	5.2
2041	45.39	38.4	41.0	15.8	105.9	\$1,671.6	\$6,337.7	\$77,666	3.2	58.2	709.3	5.2
2042	45.60	30.0	41.2	15.9	103.7	\$1,719.4	\$6,568.2	\$78,329	3.1	58.8	725.3	5.2
2043	45.80	30.1	41.4	16.0	102.1	\$1,767.1	\$6,803.5	\$79,037	3.0	59.3	741.8	5.2
2044	46.00	27.2	41.7	16.1	99.4	\$1,814.4	\$7,043.4	\$79,872	2.8	59.9	758.6	5.2
2045	46.20	26.3	41.9	16.2	95.8	\$1,863.1	\$7,287.4	\$80,512	3.0	60.5	775.9	5.2
2046	46.40	28.0	42.1	16.3	93.4	\$1,911.9	\$7,535.0	\$81,188	2.9	61.2	793.5	5.2
2047	46.59	21.2	42.3	16.4	90.7	\$1,962.2	\$7,786.7	\$81,835	2.9	61.8	811.7	5.2
2048	46.77	15.4	42.5	16.5	86.9	\$2,013.8	\$8,047.4	\$82,509	2.9	62.4	830.2	5.2
2049	46.96	14.3	42.8	16.6	84.4	\$2,066.8	\$8,316.5	\$83,190	2.9	63.1	849.3	5.2
2050	47.13	8.5	43.0	16.6	81.9	\$2,121.2	\$8,595.9	\$83,902	2.9	63.8	868.8	5.2

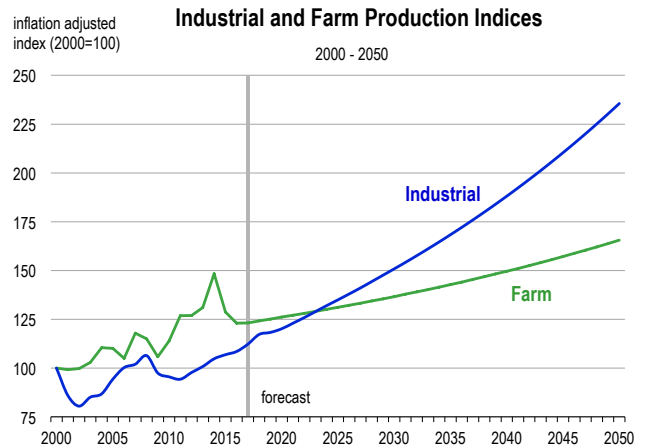
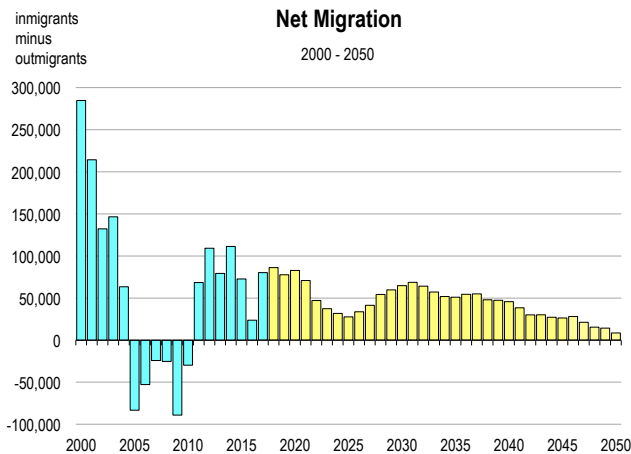
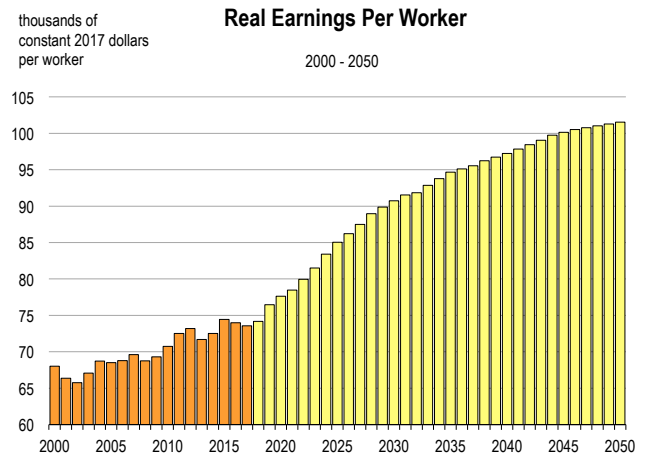
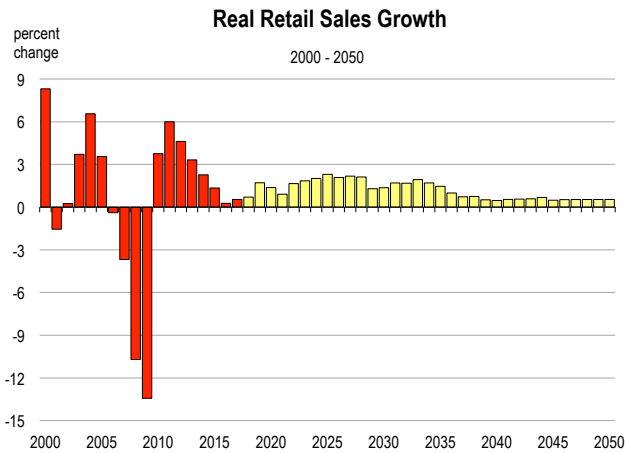


California Employment Forecast

2010-2017 History, 2018-2050 Forecast

	Total Wage & Salary	Farm	Construction	Manufac- turing	Transportation & Utilities	Wholesale & Retail Trade	Financial Activities	Professional Services	Information	Health & Education	Leisure	Government
	-----employment (thousands of jobs)-----											
2010	14,671	383	560	1,252	466	2,160	760	2,074	431	2,127	1,500	2,448
2011	14,827	389	561	1,258	474	2,203	761	2,130	433	2,158	1,534	2,405
2012	15,165	400	590	1,264	487	2,243	773	2,238	437	2,226	1,597	2,377
2013	15,566	412	637	1,266	503	2,285	782	2,336	450	2,301	1,674	2,375
2014	15,994	416	674	1,283	524	2,332	782	2,415	464	2,370	1,755	2,414
2015	16,474	422	732	1,305	556	2,373	801	2,481	488	2,455	1,827	2,463
2016	16,905	425	775	1,311	593	2,397	822	2,522	526	2,541	1,900	2,516
2017	17,241	428	809	1,312	626	2,417	831	2,563	529	2,637	1,951	2,553
2018	17,569	430	830	1,326	655	2,446	843	2,611	536	2,707	2,003	2,587
2019	17,829	427	854	1,340	673	2,459	859	2,653	547	2,755	2,034	2,624
2020	17,981	426	858	1,345	678	2,465	865	2,694	554	2,783	2,059	2,644
2021	18,100	426	865	1,349	679	2,472	869	2,729	558	2,807	2,076	2,651
2022	18,216	427	866	1,353	681	2,480	877	2,755	563	2,836	2,090	2,660
2023	18,325	427	864	1,355	683	2,488	887	2,776	569	2,864	2,103	2,672
2024	18,438	427	868	1,357	686	2,496	895	2,795	577	2,893	2,115	2,687
2025	18,553	427	873	1,363	688	2,505	903	2,811	583	2,920	2,126	2,701
2026	18,665	428	877	1,369	690	2,512	911	2,828	590	2,945	2,138	2,715
2027	18,778	428	885	1,375	692	2,516	921	2,845	595	2,969	2,150	2,728
2028	18,886	428	895	1,380	693	2,527	931	2,862	600	2,986	2,162	2,741
2029	19,000	428	902	1,385	694	2,538	942	2,878	606	3,009	2,173	2,754
2030	19,109	429	906	1,388	696	2,548	953	2,895	612	3,031	2,185	2,767
2031	19,213	429	908	1,392	697	2,557	965	2,912	618	3,052	2,196	2,780
2032	19,321	429	912	1,396	698	2,566	976	2,930	624	3,075	2,208	2,793
2033	19,427	429	914	1,399	699	2,575	987	2,947	630	3,099	2,219	2,806
2034	19,533	430	916	1,403	700	2,584	998	2,964	636	3,122	2,230	2,819
2035	19,640	430	919	1,407	701	2,593	1,009	2,982	642	3,145	2,241	2,832
2036	19,749	430	923	1,410	703	2,602	1,021	3,000	648	3,168	2,252	2,845
2037	19,858	431	927	1,414	704	2,611	1,032	3,017	654	3,191	2,264	2,858
2038	19,969	431	932	1,418	705	2,621	1,043	3,035	660	3,216	2,275	2,871
2039	20,080	431	936	1,421	706	2,630	1,054	3,053	666	3,239	2,285	2,885
2040	20,192	431	940	1,425	707	2,639	1,065	3,071	673	3,263	2,296	2,898
2041	20,304	432	945	1,429	708	2,648	1,076	3,089	679	3,288	2,307	2,912
2042	20,417	432	950	1,433	710	2,657	1,088	3,108	686	3,313	2,318	2,925
2043	20,530	432	954	1,436	711	2,667	1,099	3,126	692	3,338	2,329	2,939
2044	20,644	432	958	1,440	712	2,676	1,110	3,144	699	3,363	2,339	2,952
2045	20,756	433	961	1,444	713	2,685	1,121	3,163	705	3,388	2,350	2,966
2046	20,867	433	962	1,448	714	2,695	1,133	3,182	712	3,412	2,360	2,980
2047	20,982	433	965	1,452	716	2,704	1,145	3,201	719	3,438	2,371	2,994
2048	21,096	434	968	1,455	717	2,713	1,156	3,219	726	3,464	2,381	3,008
2049	21,209	434	968	1,459	718	2,723	1,168	3,238	733	3,490	2,391	3,022
2050	21,325	434	971	1,463	719	2,732	1,180	3,258	740	3,516	2,402	3,036





State Economic and Demographic Indicators

Projected Economic Growth (2018-2023)

Expected retail sales growth:	7.7%
Expected job growth:	4.3%
Fastest growing jobs sector:	Professional Services
Expected personal income growth:	13.7%

Expected population growth:	3.3%
Net migration to account for:	24.2%
Expected growth in number of vehicles:	3.8%

Demographics (2018)

Unemployment rate (April 2018):	3.8%
County rank* in California (58 counties):	N/A
Working age (16-64) population:	65.5%

Population with B.A. degree or higher:	32.0%
Median home selling price (2017):	\$537,700
Median household income:	\$70,636

Quality of Life

Violent crime rate (2016):	445 per 100,000 persons
County rank* in California (58 counties):	N/A
Average commute time to work (2018):	31 minutes

High School drop out rate (2017):	9.4%
Households at/below poverty line (2018):	11.7%

* The county ranked 1st corresponds to the lowest rate in California